

The  
Management  
University  
of Africa



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CERTIFICATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

CERTIFICATE IN PROJECT MANAGEMENT

CPM 105: FOUNDATION OF PROJECT FINANCING

DATE: 9<sup>TH</sup> AUGUST 2018

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **FOUR** questions.
6. Question **ONE** carries **30 MARKS** and the rest carry **10 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.

### QUESTION ONE

Read the statement carefully and answer the questions that follow:

#### ECO CHICKS LIMITED

A longtime campus friend started a hatchery business the same time as you two years back but unlike you he is struggling to keep his business running despite the great public demand for chicks from his huge incubators. He has decided to invite you to his business premises to have a look at his style of operation and advise him accordingly. You take a deeper look at his model of operation and realize that he needs to consider project financing so you take him through what project financing entails.

**Required:**

- a) Define and discuss the importance of project financing in an organization  
(8 Marks)
- b) With the help of appropriate examples, explain the following as used in project financing:
  - i. Ration analysis, (4 Marks)
  - ii. Time value of money, (4 Marks)
  - iii. Valuation of assets (4 Marks)
- c) Explain the factors to consider with reference to financial evaluation techniques  
(10 marks)

### QUESTION TWO

- a) Define what Sources of Finance mean in the context of Project Financing  
(4 Marks)
- b) Discuss the internal and external sources of Finance  
(6 Marks)

### QUESTION THREE

- a) Explain the finance requirements of a project  
(4 marks)

**b) Highlight the finance requirements for;**

i) New projects (3 marks)

ii) On-going projects (3 marks)

#### **QUESTION FOUR**

Discuss the techniques that are applied in the context of Cost of Financing? (10 marks)

#### **QUESTION FIVE**

a) Explain the techniques that are used in Financial Evaluation (5 marks)

b) Discuss what you understand by Cost of proposed financing (5 marks)

#### **QUESTION SIX**

a) Explain the term Capital Investment Decisions (4 marks)

b) Discuss what you understand by;

i) Alternative forms of Project (2 marks)

ii) Application of NPV and IRR (4 marks)

